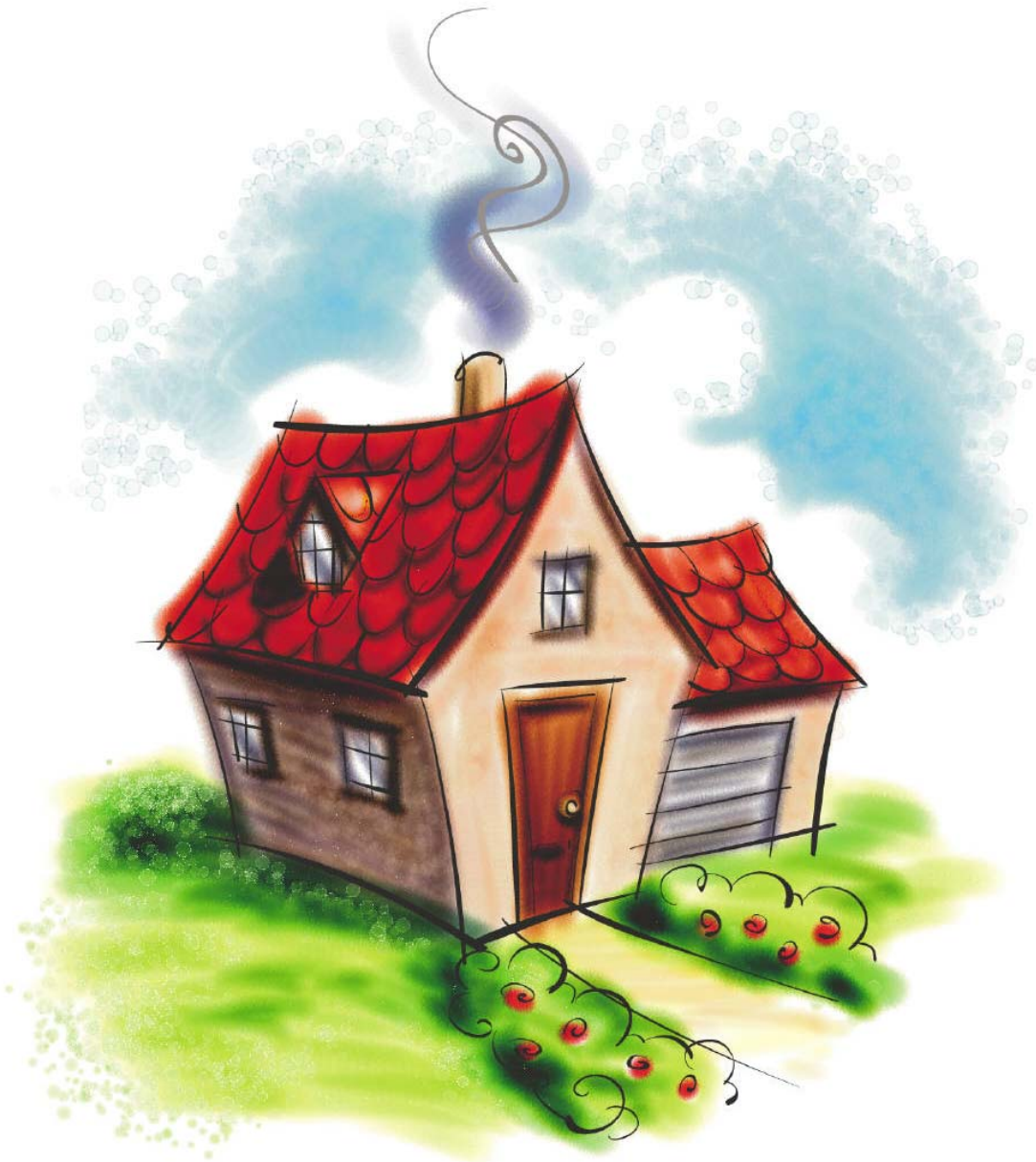


# **A Massachusetts Guide to Insurance for Your Home and Ways to Help Reduce Your Insurance Premiums**



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## How to Use This Guide

Your home is your castle. It is your most valuable asset. It is where you keep many of your other assets, such as your furniture and your clothes. It is also the place that you live and your style of life centers around your home. If you lost your home due to fire, windstorm or lawsuit, your whole life would be disrupted. You would want to replace whatever you lost so your life can return to normal.

Protecting your home is an important undertaking. There is no single solution that is right for everyone. We hope this guide provides a helpful starting point in your search for a solution that is right for you. But don't stop here. Treat the purchase of insurance and taking steps to protect your house as you would any other major financial decision by seeking independent advice from professionals who are in a position to analyze your individual needs.

This guide provides a general explanation of insurance for your home and ways to protect your home and help to reduce your insurance premiums. It will familiarize you with some of the terms and practices related to insurance for your home in Massachusetts. To truly understand your own particular coverage, you should take the time to learn **your exact coverage, as well as your rights and responsibilities under the coverage.** Your insurance company or its producer should be able to help you with an analysis about the appropriate policy for your situation, but it is up to you to choose the coverage that is right for you. To understand some of the specific features of a typical insurance policy, consider reading "A Massachusetts Guide to Understanding the Insurance Policy Covering Your Home" that can be downloaded from [www.mass.gov/doi/Consumer](http://www.mass.gov/doi/Consumer). If you have additional questions, you can contact the Division of Insurance Consumer Services Section at (617) 521-7777 or through [www.state.ma.us/doi](http://www.state.ma.us/doi).

An insurance policy is a legal contract of the promise that an insurance company gives you to pay for losses outlined in your policy in return for premiums that you pay to the insurance company. Insurance is not a bank account where your premiums are stored, but rather is a promise that the insurance company will pay for the costs of any covered risks that impact your covered property during the policy period. **The insurance you buy to cover your home provides protection for a specific period or term of time, usually for a one-year period.** If your coverage is not renewed, the insurance company will not cover losses occurring after the end of the policy period.

There are appendices at the end of the guide with a glossary of commonly used terms that appear throughout the guide (Appendix A) and a record of any policy that you may purchase (Appendix B).

### **Disclaimer**

This guide is not a legal analysis of your rights under any insurance policy or government program. Your insurance policy, program rules, Massachusetts law, federal law and court decisions establish your rights. You may want to consult an attorney for legal guidance about your specific rights.

This guide includes information, documents, and materials (collectively, the "Contents") that are subject to change without notice. The Massachusetts Division of Insurance cannot guarantee that the contents of this guide are up-to-date or complete and assumes no responsibility for errors or omissions in any Contents, including Contents that are referenced by or linked (by hypertext links) to any other Contents or third party websites. The Massachusetts Division of Insurance makes no representations or warranties of any kind whatsoever for the Contents or for any products or services or hypertext links.

# **A Massachusetts Guide to Insurance for Your Home and Ways to Help Reduce Your Insurance Premiums**

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# **A Massachusetts Guide to Insurance for Your Home and Ways to Help Reduce Your Insurance Premiums**

## **SECTION I: RISKS TO YOUR HOME**

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### **Why Buy insurance for My Home?**

- **Your home is a valuable asset** - If damaged or destroyed, it may take many years to recover the money that you invested in your home. Insurance can help pay to repair or replace your home.
- **Your home is where you store other valuable assets** - Beyond the bricks and mortar, you keep your clothes, furniture, mementos and other things inside your home. Insurance can help repair or replace items that may be damaged or lost.
- **Your home is the place that you live** - Almost everything associated with your non-work life is in your home. If damage to your home makes you live elsewhere, you not only want to fix what is wrong, but you may need to pay for additional living expenses while you can't live in your home. Insurance can help pay some transition costs until you return to your home.

### **What Could Ever Happen to My Home?**

Just about anything. Fires or natural disasters, including hurricanes or earthquakes, could destroy your home. Your home may be susceptible to electrical fires, frozen pipes, burglaries or lawsuits filed by other parties claiming your negligence caused them harm. If you don't properly maintain your home, it could also be damaged by leaky roofs.

Insurance is intended to address the costs of unexpected damages beyond your reasonable control. It is not intended to pay the expected repairs you need to maintain your home whether by replacing worn out roofs or taking appropriate precautions. By purchasing the right insurance policy, you may be able to protect yourself from the financial costs of unforeseen losses. Without appropriate protection, you could lose everything that you have worked to obtain.

### **Am I Required to Buy Insurance for My Home?**

Home insurance is financial protection to cover you and your loved ones from the costs of unexpected events damaging your home. There is no law requiring anyone to purchase any insurance on your home, but it is prudent to consider this coverage to protect your investment in your home.

You should note, however, if you need a mortgage to help pay for your home, your lender or bank may not loan you money unless you buy and maintain insurance on your home. If you drop coverage or stop paying for it, some mortgage agreements permit the lender to take action against you to recover the amount that they did loan you.

You should be aware, however, that even if your lender requires you to have insurance, the lender cannot require you to obtain the coverage from a particular insurer and cannot require you to insure your home for more than the replacement cost of the dwelling.

## **SECTION II: INSURANCE FOR YOUR HOME**

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### **How Does an Insurance Policy Work?**

An insurance policy is a legal contract. Unlike a bank account, where you may deposit money to pay for a rainy day, under an insurance contract you pay a premium to an insurance company in return for the insurance company's promise to pay for covered losses that occur during the specified term of the policy, usually for a one-year period. The contract and any insurance company obligations end at the conclusion of the term, unless you and the insurance company agree to extend the promise for another specified term. You and the company each have responsibilities under this contract. There is an expectation of good faith, i.e., that you and the insurance company will be fair and honest in your dealings with one another.

### **How Do I Obtain Insurance for My Home? Can I Ever Be Turned Down?**

In most cases, you will contact an insurance company or an insurance producer (sometimes also known as a broker or agent) to obtain coverage. In some cases, you may be contacted by direct mail or internet solicitations. In all cases, the insurance company will want to collect information about your home before issuing any coverage.

You should know that insurance for your home is offered in a competitive market. You can shop around for coverage from companies available in your area and an insurance company can decide to turn down your application for coverage. You should be aware, however, that under Massachusetts law (M.G.L. c. 175, §4C), an insurance company cannot consider "your race, color, religious creed, national origin, sex, age, ancestry, sexual orientation, children, marital status, veteran status, the receipt of public assistance or disability" when deciding whether to provide, renew or cancel home insurance. If you believe that a company has used any of these factors, you should file a complaint with the Division of Insurance at (617) 521-7777.

In order to obtain an insurance policy for your home, you must fill out an application to help the insurance company learn about you, your home, and the risks the insurance company would be responsible for if you were given an insurance policy. After reviewing the information, the insurance company will use its own standards, known as underwriting guidelines, to decide whether to give you a policy, and the rate it would charge for any coverage it would provide.

If an insurer decides to accept your application, the producer or company may issue you an insurance binder, which is a legally binding statement that you have immediate protection for a specified period of time while the company decides whether or not to issue you a policy. If the company formally accepts your application, you will be issued a policy, usually for one year. If your application is rejected, you may need to apply to another insurer or to the FAIR Plan (see page 4).

## **Can an Insurer Ever Cancel or Nonrenew My Coverage?**

Until a policy has been in effect for 60 days, an insurance company is permitted by law to cancel a policy at any time. Once a policy has been in effect for 60 days, under Massachusetts law (M.G.L. c. 175, §99), it can be cancelled during the term of the contract only for the following:

- Nonpayment of premium
- Conviction of a crime which increases hazard under the policy
- Fraud or misrepresentation by the insured in obtaining the policy
- Willful or reckless acts or omissions by the insured increasing the hazard of damage
- Physical changes in the property making property uninsurable
- A determination by the commissioner that continuation of the policy would violate or place the insurer in violation of the law

Prior to cancellation, an insurer is required to provide you with sufficient written notice of cancellation, except in case of nonpayment of premium when the insurer is to provide at least ten days written notice.

Once a policy is in effect, under Massachusetts law (M.G.L. c. 175, §193P), a home insurance company can refuse to renew coverage at the end of the term of the contract (usually one year), provided that at least forty-five (45) days prior to policy expiration, it gives the insured written notice of nonrenewal with a statement of the reasons for nonrenewal.

## **How Do I Find Companies that Sell Homeowners Insurance?**

### **1) Licensed Insurance Companies:**

There are many insurers that sell homeowners policies in Massachusetts under a license that has been granted by the Massachusetts Division of Insurance. In order to be licensed, an insurer must demonstrate it meets the state's minimum financial requirements to pay claims now and in the future. It must also agree to participate in the state's guaranty fund which is designed to protect policyholders if any licensed property and casualty insurance company is financially unable to pay its bills. You can check [www.mass.gov/doi/consumer](http://www.mass.gov/doi/consumer) for a list of companies in your area.

When considering a company, you may want to contact your neighbors, relatives, and friends for recommendations regarding their insurance company's service and price. In addition, if you are willing to pay a fee, you can learn more about the financial strength of a particular insurance company by contacting any of the following:

- A.M. Best Company (908) 439-2200 <http://www.ambest.com>
- Duff & Phelps, LLC (212) 450-2800 <http://www.duffllc.com>
- Fitch Ratings (212) 908-0500 <http://www.fitchibca.com>
- Moody's Investors Services (212) 553-1658 <http://www.moody's.com>
- Standard & Poor's (877)299-2569 <http://www.standardandpoors.com>
- Weiss Research Inc. (800) 289-9222 <http://www.weissratings.com>

### **2) The Surplus Lines Market:**

The surplus lines market is an unlicensed insurance market which can be an alternative market to cover a home, usually for an unusual or expensive property or when an insured cannot obtain coverage from insurers licensed to do business in Massachusetts. Although surplus lines companies are permitted to issue policies to Massachusetts residents, they are not licensed by the Division of Insurance, are not regulated by state law and are not members of the state guaranty fund. If you are interested in surplus lines coverage, you will need to meet with a producer specifically authorized to sell this type of coverage.

### 3) The FAIR Plan:

The Massachusetts Property Insurance Underwriting Association (“The FAIR Plan”) is a statutorily created program that is known as “the insurer of last resort.” The Fair Plan will offer insurance to consumers who have been refused coverage from licensed insurance companies so long as they meet the plan criteria. More information on obtaining homeowners insurance through The FAIR Plan is available by calling at (800) 392-6108.

### **What Type of Insurance Do I Need to Protect My Home?**

Although your insurer or agent can provide some assistance, it is ultimately your responsibility to choose the right level of coverage. You may need to consult local building contractors to understand the cost of repair and periodically review your coverage limits to see if they are adequate.

You should consider a “dwelling” limit that is high enough to help you rebuild your home at today’s labor and material costs in the event of a total loss. This cost may be very different from the market value of your home. When considering your home or real property, you should consider not only your house, but also unattached garages, sheds or other structures that may be on your property.

You should also consider (1) the level of coverage needed to replace your “personal property” or the “contents” of your home, such as furniture, clothing, electronics, jewelry or other personal items that may be damaged in the event of loss to your home and (2) sufficient liability coverage to protect you and your assets from lawsuits if others claim damages due to your negligence either on or off your property.

In addition to choosing the type and overall limits to your coverage, you will also choose the deductible level up to which you will be responsible for paying the costs of each claim. The higher the deductible chosen – and greater proportion of low-dollar claims that are your and not the insurer’s responsibility – the lower the premium that you will have to pay. Almost all policies are issued with fixed dollar deductibles, but some have percentage deductibles that are based on overall policy limits.

### **Basic Coverages Available**

There are differing packages of insurance that may be offered to protect your home and belongings. Most single-family homes are covered under what is called homeowners insurance; other policies are more appropriate for renters or those owning condominiums. You should consult your insurance producer for the type of policy that is right for your home.

It is important to know which risks a policy covers and which risks are excluded. Each policy protects against a specific number of perils (events that cause damage to property), including, for example, fire, windstorm, and theft. **Policies may specifically exclude coverage for certain events, including for example floods,<sup>1</sup> earthquakes, or damages related to poorly maintained properties.**

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<sup>1</sup> Depending on where your home is located, you may be able to purchase flood insurance through the National Flood Insurance Program. Your producer or company can help you with application forms for flood coverage. If your home is located in a special flood hazard area, your lender will require flood insurance. For more information about federal flood insurance, contact the National Flood Insurance Program at 1-800-638-6620.



In addition to knowing the risks or perils covered, it is important to consider the expenses that are covered in the event of a covered peril. Each policy usually contains coverage for the following:

- Damage to your real property, including your home and other structures on your property
- Damage to your personal property
- Additional cost of alternate living arrangements
- Personal liability lawsuits
- Medical payments, limited for non-residents, for certain accidents occurring on your property

### **1) Damage to Your Real Property Damage**

Your home's structure is known as your dwelling. The overall dwelling coverage limit will cover the expenses of repairing or replacing the structure of your dwelling. Coverage for other structures on your property - including sheds, barns, detached garages, - are usually covered at a level equal to 10% of the dwelling coverage limit. You should check with your insurance company or producer to make sure the amount of coverage on your dwelling, as well as on your other structures, is appropriate to cover a loss.

There are also limited additional coverages for removing debris, for the increasing cost of construction, for the application of building ordinances that may require repairs, for the cost of reasonable repairs to protect your property against further damage, for damage to trees, shrubs and other plants, any fire department service charge (where applicable) and the cost of removing property from the premises to protect it from further damage. For coverage to apply, the damage must be caused by a peril you are insured for under the policy. You should check your policy to verify exactly what it covers.

### **2) Damage to Your Personal Property**

Personal property includes the contents within the walls of your home and other personal belongings owned by you or by family members who live with you. Personal property does not typically apply to belongings of other people who may live with you (*i.e.*, boarders or renters). Their belongings will generally only be covered if you made arrangements with your insurer.

Personal property coverage is based on a percentage (*e.g.*, 50%) of the dwelling coverage limit. Some forms of personal property, such as silverware, computers, guns, money, expensive antiques, and jewelry, have limited coverage under your home policy and you may need additional insurance. This coverage can be added to your policy as an endorsement (or rider) in the form of a personal property "schedule" if appropriate for certain valuable personal property. Check with your insurer or insurance producer at least once a year to make sure your policy gives you adequate limits of coverage.

You should know that insurance policies for your home do not cover private passenger automobiles or other motorized vehicles unless they are unlicensed and used only at your home, including, for example, a riding mower. Your insurance company or licensed producer can help you find coverage for your car, boat or recreational equipment outside the standard insurance you buy for your home.

### **3) Additional Cost of Alternate Living Arrangements**

If property damage caused by a covered loss prevents you from living in your home, policies can pay the expenses of alternate living arrangements (*e.g.*, hotels and restaurant costs) for a specified period of time to compensate for the "loss of use" of your home until you can return. The additional living expenses limit can vary, but is typically set at up to 20% of the dwelling coverage limit. You talk with your producer for advice about appropriate coverage and determine what type of limit may be appropriate for you.

### **4) Personal Liability Lawsuits**

Personal liability coverage protects you against a claim or lawsuit resulting from (non-auto and non-business) bodily injury or property damage to others caused by your or your family's alleged negligence (non-auto and non-business). The personal liability coverage limit is usually \$100,000. You should determine whether a higher limit is appropriate.

## 5) Medical Payments

Medical payments coverage pays for any medical expenses incurred by persons not living with you who are accidentally injured on your property in a non-automobile-related accident, regardless of fault. Although the medical payments coverage limit is usually set at \$1,000, you should determine if the amount of medical payments coverage on your policy is sufficient, or whether a higher limit would be more appropriate for you.

## Do I Need to Buy More Insurance as the Value of My Home Increases?

Your home's value can be looked at in three very different ways:

- **Market value** - represents what your property would sell for on the real estate market.
- **Actual cash value** - represents what your property is worth today after adjusting for the normal wear and tear that may have depreciated the value of the property.
- **Replacement cost value** - represents the cost that it may take to rebuild your house if it were destroyed.

Each of these may be significantly different than the other and should not be confused in determining the amount of coverage that you may need to repair or rebuild your home. A home that may sell for \$300,000 may actually cost \$600,000 to replace. Although rising property values usually go hand-in-hand with the increasing costs to rebuild houses, it may be appropriate to talk with your insurer, insurance producer or a contractor about how much it may cost to replace your house when considering the limits of your coverage. If your coverage is less than the cost to replace your home, your insurance company is not obligated to pay the total costs to replace your home. In the case of a total loss, the company only needs to pay up to the policy limits. For partial losses, an insurance company may only be obligated to pay a percentage of the loss based on the percentage that your policy limit would pay toward the cost to replace your entire property.

## What Happens If I Do Not Have Enough Coverage?

If an insurer requires an owner to insure a home at 100% of replacement cost and the owner fails to insure for the percentage of replacement cost required by the contract, a penalty is applied to partial or total losses. If your contract requires coverage for at least 80% of the home's replacement costs, but you do not have sufficient coverage, the insurer may only pay for a proportional amount of the total claim. For example, assuming that there is no deductible on your policy (not typical but done to simplify the example), if your policy's dwelling limit is set at \$120,000, but it would cost \$200,000 to replace your home, if a fire causes \$40,000 in damages, your insurer would only pay:

Insurance on Your Policy	\$120,000				
-----	=	-----	=	75% x \$40,000 loss	= \$30,000
Amount of Insurance Necessary	\$160,000				
to Cover Assets (80% of \$200,000)					

You would be responsible for the remaining \$10,000 of the loss. Since such underinsurance can be catastrophic, you should make sure you review and update your coverage every year. It is important to keep track of its value since inflation and home improvements can increase the replacement cost of your home, even if the actual cash value of your home may decrease over time. Please note that carriers may offer "inflation guard" coverage that can automatically increase your dwelling limit to match the expected rate of inflation in building costs each year.

Whether your home is insured for replacement cost or actual cash value, it is important to keep track of its value. For instance, adding a new room, new insulation, remodeling, and inflation all increase the replacement cost of your home, while the actual cash value of the home may decrease over time. Check with your insurer or insurance producer at least once a year to make sure your policy gives you adequate limits of coverage.

In addition to considering the replacement cost of your dwelling, you should be aware that most insurance policies for your home cover your personal property on an actual cash value basis (i.e., the contents of your home based on their actual cash value). Since a five-year old couch is worth much less than a new couch, due to normal wear and tear, if your couch were destroyed in a fire, the insurance company will likely pay only a fraction of the cost to replace the couch. Many insurers offer an option for you to insure your belongings or personal property at replacement cost. This will increase the premium for the policy, but you may decide with your producer that the coverage is appropriate to your needs.

### **What Is a Wind or Hurricane Deductible and How Does It Affect My Coverage?**

In addition to a policy's standard deductible, carriers may apply a specific wind deductible or a specific hurricane deductible on certain home insurance policies if a home is in an area that is susceptible to wind or hurricane damage. For many years, insurers have offered, for a reduced premium, optional wind loss deductibles that are higher than the standard insurance policy deductible. As insurers have become more aware of the potential costs of windstorm losses in certain parts of Massachusetts, many insurance companies have implemented mandatory wind loss deductibles. These deductibles are either offered as fixed dollar amounts or a percentage based on the amount of dwelling coverage and a home's proximity to the coastline.

It is important that you understand how a percentage wind deductible applies to a loss you may incur. Most carriers apply a wind deductible percentage to the dwelling limit listed on the policy. For example, if a wind deductible percentage is 5% and you have a \$200,000 dwelling limit on your policy, then you will need to pay all covered wind-related losses up to \$10,000 ( $5\% \times \$200,000$ ) before the insurance company will pay for any losses.

As we have said on many policy features, you should read your policy to understand the specific workings of this type of deductible to your home. If you have questions about this deductible, contact your producer or insurance company.

### **What May Affect the Cost of Insurance for My Home?**

- **Amount of Coverage** - The amount of coverage you buy for your house, contents, and personal liability will affect the price you pay.
- **Deductible Amount** - The amount of loss that the covered person is required to pay before the insurance company will pay any losses. The higher the deductible, the lower the premium will be for the policy. An insured should keep in mind, however, that deductibles apply separately to each loss that may occur throughout the contract term (usually one year).
- **Type of Construction** - Wood frame houses are more susceptible to certain types of property damage than houses built from brick, stone or stucco.
- **Age and Condition of House** - New or remodeled homes may have certain safety features to reduce risk while older homes may be subject to more damage in case of an accidental event. Homes with older electrical wiring or plumbing systems, swimming pools or flat roofs present particular hazards that may affect the cost or even an insurer's willingness to issue a policy.
- **Recreation** - Having pets or potentially hazardous recreational equipment, such as trampolines, increase the risk of losses on your policy and may affect the cost or even an insurer's willingness to issue a policy.
- **Local Fire Protection** - If your home is located more than 5 road miles from a responding fire station and/or more than 1,000 feet from a recognized hydrant then you are likely to pay more for home insurance since it may take fire teams longer to respond in the event of a fire.

- **Geographic Location of House** - If your home is located near a coast, flood plain or other area susceptible to natural disasters, such as hurricanes, floods, tornadoes or mudslide, you may pay more for the increased exposure or a higher deductible may apply.
- **Past Loss Activity** - Small dollar claim activity can drive the price up or result in non-renewal (the policy is not intended to be a home “maintenance” policy.)
- **Discounts** - Most insurance companies offer a variety of discounts, including some of the following based upon projected reduced risks for certain features:
  - Multi-Policy, Group, Non-Smoker or Senior Discount,
  - Alarm, Dead Bolt, Automatic Sprinkler, Smoke Detector, Fire Extinguisher credits
  - New home, new wiring credits, new plumbing credits

### **How Can I Find Out How Much an Insurer May Charge to Insure My House?**

When you shop for homeowners insurance, premium quotations are a useful tool for comparing different companies’ products. However, when you ask for price quotations, it is important that you give the same information to each producer or company.

To give you an accurate quote, the producer or company will usually ask for the following:

- A description of your house
- The distance from the nearest fire department and fire hydrant
- The square footage
- If you have security devices
- A picture of your home
- The coverages and limits you want
- Any prior property or liability losses

### **How Do Insurance Companies Market Policies?**

Insurance companies generally use one of three methods to market their product: direct marketing, independent producers, or exclusive producers. The type of marketing method may or may not meet your needs, depending on the type of services offered. Therefore, you should be aware of each of the three methods and may want to consider these when you decide to buy insurance.

Some insurance companies use **direct marketers** who sell insurance through the mail and by telephone. In some cases, consumers can save money with direct sales because companies do not have to pay insurance producers commissions to sell their policies. Companies can pass along some of these savings to you. However, some consumers prefer to have a local producer available to them.

If you decide to call producers for prices, ask them how many companies they represent. **Independent agents or producers** represent several companies; therefore, you can get quotes for more than one company from just one producer. Many consumers consider this an advantage.

Some insurance companies sell coverage through producers that only represent their company. These companies call their producers an **exclusive agency or producer force**. Exclusive producers can only offer you coverage from the company they represent. Sometimes exclusive producers may work for a lower rate of commission than independent agents and the lower commission structure, especially on commissions for renewal business, can represent cost savings to the insurance company and often a portion of that savings is passed along to the consumer in lower premiums.

## **What Should I Do to Lower the Premium that I May Pay?**

- **Shop Around** - Prices can vary greatly. However, don't consider price alone since service and the insurer's financial strength is also important. Quality service may cost more, but it also may be worth it. Be sure to talk to your friends.
- **Raise Your Deductible** - Deductibles are the amounts you may pay out of your own pocket for a loss before the insurance company pays. Although choosing a high deductible may decrease the annual premium cost, you should carefully consider a deductible level that you can comfortably pay if a loss were to occur.
- **Shop for Discounts** - Some companies may offer a 5% to 15% discount on your premium if you have two or more policies with them.
- **Before You Buy a Home** - Think about how much it will cost to insure. Some insurers may offer discounts on new or remodeled homes because it is likely to be in better condition and therefore less likely to have a loss.
- **Insure Your House, not the Land** - The land your house is on is not at risk from fire or theft or any of the other things covered by your homeowner policy. So don't include the land value in deciding how much insurance to buy.
- **Improve Your Security** - Some companies offer discounts for smoke alarms, burglar alarms, or dead-bolts. Their credits vary for the type of device, usually 2% for smoke alarms and up to 15% for an alarm system that notifies a third party (e.g., ADT).
- **Stop Smoking** - Smoking causes many residential fires a year. Many insurance companies offer reduced premiums if none of the residents smoke. (This is sometimes known as the Smoke Free credit.)

## **SECTION III: LOSSES**

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### **How Can I Protect My Home and Reduce My Insurance?**

An ounce of prevention is worth a pound of cure. This statement has great relevance to the topic of loss prevention. Most losses are preventable for the prepared homeowner. Here are some tips on preventing losses before they occur:

#### **1) Preventing Fire Damage:**

- **Woodstoves and Fireplaces** - Inspect and clean chimneys and stove pipes regularly and at least twice a year. Make sure that you have proper floor protection. Keep combustible materials away from fireplaces and woodstoves. Remove ashes into a noncombustible container and dispose of them properly.
- **Furnaces** - Ensure that they are serviced annually by a licensed technician.
- **Fire extinguishers** - Keep them in the kitchen, near the furnace and near your fireplace or woodstove and make sure that you know how to use them.
- **Smoke alarms and smoke and carbon monoxide detectors** - Install ones adequate to meet building codes for the appropriate type, number and placement. Check detector batteries at least twice each year and change batteries when low.
- **Matches and lighters** - Keep all matches and lighters out of the reach of children. Properly dispose of smoking materials and avoid smoking in bed.
- **Fire drills** - Hold practice drills at least twice a year, especially if you have children. Know what to do, where to meet outside, and make plans to call the fire department from a neighbor's home.
- **Wiring** - If you have an older home, have a licensed electrician check the wiring. Older systems have difficulty handling the energy requirements of today's appliances. Also consider that dishwashers, kitchen stoves, dryers and washers should be professionally installed to prevent electrical fires.
- **Electrical outlets** - Don't overload or overuse extension cords.
- **Space heaters, candles, and hurricane lanterns** - Don't leave them unattended and keep combustible materials away.

#### **2) Preventing Roof and Water Damage:**

- **Roofs** - Check for excessive snow buildups. Clean snow to prevent ice dams and collapse from weight. Make sure that the roof is vented properly.
- **Shingles** - Periodically check for loose shingles and repair them.
- **Plumbing** - Periodically check the pipes and hoses throughout your home and repair as needed. This includes items such as the water hose for your clothes washer, exterior faucets, water heaters and sump pumps and drains.
- **Mold** - Take special precautions to clean up all water spills or leakage immediately to prevent the spread of mold, fungus, wet or dry rot or mildew. Use anti-fungal cleaners wherever possible.

### **3) Managing the Damages of Winter Freeze-ups**

Frozen pipes aren't just an inconvenience, families have their homes ruined and their lives disrupted each winter because water pipes freeze.

- **Before the cold hits:**
  - Make sure that even small holes or cracks in the exterior siding are insulated.
  - Cover around any water pipes that are on the inside of exterior walls.
- **If your house is occupied throughout the winter, when it is extremely cold:**
  - Maintain temperature at 3-4 degrees higher than normal temperature settings
  - Turn on your faucets and let the water trickle constantly.
  - Open cabinet doors under sinks - this will allow the heat to warm the pipes.
  - Insulate pipes – insulation goes a long way toward preventing freeze-ups.
  - Shut off exterior faucets used for garden hoses from inside your basement and leave the exterior faucets open outside (even if you have freeze-proof sill cocks.)
- **If your house is unoccupied at times during the winter and has hot water heat:**
  - Set the thermostat no lower than 60 degrees and install a low heat alarm.
  - Have a plumber install a low water cutoff switch on a forced hot water boiler.
  - Heat tape the water meter and water service, unless the water meter is plastic; if plastic, heat the meter and service area.
  - If heated by oil, install a low-oil alarm.
  - Have the house checked once a week.
- **If your house is not occupied at all during the winter months:**
  - Have the water service shut off in the street.
  - Drain all domestic waterlines, leave faucets and drain valves open.
  - Drain all heating lines, leave all drain valves open.
  - Drain boilers and hot water heaters, and leave drain valves open.
  - Drain plumbing fixtures, add antifreeze to all traps.
  - Shut off gas service at meter.
  - Have house checked weekly.

### **4) Managing Liability Exposures:**

- **Swimming pools:** Make sure that fences surround pools and keep the fence locked when not supervised - otherwise this could be grounds for your insurer to cancel your policy.
- **Dogs:** Obey all leash laws. Dog bite exposure is a serious problem for insurance companies. Most have restrictions on the types of dogs they are willing to cover. Check with your producer to find out if your company has any restrictions on the type of dog they are willing to cover.
- **Trampolines:** Think twice before putting one on your property. Most insurance companies consider a trampoline an unacceptable liability exposure because of the potential for injury, even if the trampoline has a restraint or sides that are intended to keep someone from falling off or over the side. Check with your insurer or producer before you place a trampoline on your property. The presence of a trampoline can negatively affect your ability to buy or keep your homeowners insurance policy. When installing a trampoline use common sense. For example, don't install a trampoline next to a picket fence.

- **Walkways and steps:** Keep steps in good condition and clear of obstructions, including ice.
- **Decks, porches, or landings:** If these structures are elevated more than 12 inches from ground level, install a railing. Make sure that you keep railings and handrails in good repair to prevent people from falling and replace them periodically, *especially in the multi-family units*. Make sure residents and visitors recognize and abide by the capacity limitations on such structures.
- **Full tanks:** Periodically check the tanks and connections and repair as needed.
- **Lead paint:** Inspect your home for exposure to lead paint and take deleading and mitigation measures required by law, especially if children under the age of 6 live in the home.

### **5) Managing Wind Losses for Coastal Homeowners**

- Elevate housing above the base flood elevation when possible.
- Check and secure anchoring for covered porches making sure that connections are made in accordance with local building codes.
- When re-roofing a house, check and inspect all decking and allied components and install shingles that meet high-wind standards.
- Install shutters to protect window glass and glass doors from flying debris.
- Install gable end, garage door, patio and double door bracing.
- Install tie-downs for sheds, fuel tanks, TV antennas, and satellite dishes.
- Install backflow valves on septic/sewer lines in flood-prone areas.
- Elevate flood-prone utilities, heating/cooling systems and appliances and anchor securely.
- Use tie-downs or strapping materials to secure woodpiles outdoors.
- Keep downspouts and drains open and free flowing.
- Thin treetops near buildings with the rule of thumb that one-third of the tree limbs removed.

### **What Should I Do If Anything Happens to My Home?**

Most home insurance policies generally require you do the following things:

- **If you intend to file a claim for a loss, give immediate notice of a possible claim to your insurance company or licensed producer. If the loss is a theft, also notify the police. If your checkbook or credit cards are missing, contact your bank or credit card company immediately.**
- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you do and save all receipts for all expenses you incur in undertaking repairs, including, for example, buying plywood and nails to board up broken windows.
- Give your insurance producer, claims adjuster and/or insurance company a copy of a list of all damaged, destroyed or stolen property (being sure to keep a copy for yourself). In case of theft, be sure to give another copy to the police.
- **Show the damaged property to your insurance producer, claims adjuster and/or insurance company, if asked. Your company may also require a “proof of loss” statement be submitted to them. Do not dispose of any damaged property until your producer, claims adjuster and/or company says you can.**
- If you feel that the amount of money offered by your insurance company to pay for a loss is not fair or there are other insurer practices that seem unfair or deceptive, there are several alternative courses of action that you may want to consider;



- You can demand an appraisal, per the terms of your homeowners insurance policy, which is a method for resolving the question of the loss amount when the insurer and insured can't agree;
- You can file a complaint with the Massachusetts Division of Insurance;
- You can file a claim in small claims court; or
- You can hire a lawyer to represent your interests in court.

### **What If I Have Questions or Problems with My Claim?**

If you are having a problem with your insurance, you should first check with your licensed producer or with the company that sold you the policy. If you do not get satisfactory answers from the agent or company, contact the Consumer Services Section of the Massachusetts Division of Insurance during normal business hours at 1-617-521-7777 or by the internet at [www.state.ma.us/doi](http://www.state.ma.us/doi). When completing a complaint form, make sure you have included detailed information about your insurance problem, including the correct name of the insurance company and a complete and accurate description of any company actions to respond to your complaint.

## **Appendix A – Glossary of Common Insurance Terms**

### **Appraisal**

A review of a property claim to determine the value of a particular item, or the value of the loss to damaged property.

### **Cancellation**

The termination of policy during the policy term. During the first 60 days of a policy, a company can cancel a policy for any reason with appropriate notification. After 60 days of coverage, a company can only cancel coverage for reasons identified in Massachusetts' statutes.

### **Claim**

A request for reimbursement for a loss covered by a policy. For example, a claim for items stolen from the policyholder's home.

### **Deductible**

An amount that an individual must pay for covered services before the insurance company will begin to make payments.

### **Depreciation**

A decrease in the value of a property due to wear & tear or obsolescence.

### **Endorsement**

Amendments or attachments to your policy which add, remove or otherwise change the standard coverage you have under your policy.

### **Exclusion**

Certain causes and conditions listed in the policy that are not covered.

### **Group Policy**

A policy sold through an employment-based group, association or special group insurance trust. Individuals receive certificates of coverage from the group policy.

### **Independent Agent or Producer**

A producer who represents more than one insurer.

### **Individual Policy**

A policy sold directly by a company to an individual without requiring the individual to be a member of an employment-based group, association or special group insurance trust. These policies are usually sold by insurance producers but sometimes through direct mail or phone solicitations.

### **Inflation Protection**

A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of property repairs.

### **Insurance**

A formal device for reducing an insured's potential costs by transferring specific risks to insurance companies.

### **Lapse**

Termination of a policy because of nonpayment of policy premiums or because the premium paid is less than what was to have been paid and the coverage no longer in existence.

## **Appendix A – Glossary of Common Insurance Terms**

### **Liability Coverage**

Coverage for payment and services on behalf of an insured for loss arising out of his responsibility, due to negligence, to others imposed by law or assumed by contract

### **Market Value**

A real estate term that describes what the current value of your home would be if you were to sell it – including the price of land. This amount is generally not involved in determining what amounts to purchase under an insurance policy.

### **Nonrenew**

Insurance company action to not extend coverage beyond the current policy term. Companies may only nonrenew coverage after making appropriate notices to policyholders.

### **Peril**

The cause of a possible loss.

### **Personal Property**

All tangible property not classified as real property.

### **Policy**

A written contract for insurance between an insurance company and a policyholder.

### **Premium**

The amount of money an insurance company charges, based on a given rate, to provide the coverage described in the policy for a specified period of time, generally one year.

### **Property Coverage**

Insurance providing protection against the loss or damage to real and/or personal property caused by specific perils covered in the insurance policy or contract.

### **Real or Tangible Property**

Land and anything permanently attached to, embedded in, or growing on the land.

### **Replacement Cost Coverage (on Dwelling)**

Coverage intended to pay for losses based on how much it would cost to replace or repair what has been damaged at current costs without factoring in how much or whether structures may have depreciated in value. The ultimate payment is based on the overall limits of the policy.

### **Replacement Cost on Contents**

Coverage to pay for losses on the basis of how much it would cost to replace or repair them at current costs without factoring how the item may have depreciated in value from its purchase. Without replacement cost coverage, a policy only pays for the actual cash value of an item.

### **Sub-limit**

A limit within the policy maximum that imposes a smaller limit for specified coverage or types of property.

### **Underwriting**

The process of examining, accepting or rejecting insurance risks, and classifying those selected, in order to charge the proper premium for each.

## **Appendix B – Facts to Keep Handy About Your Own Policy**

For use after you buy an insurance policy. Complete this form and put it with your important papers. You may want to make a copy for a friend or a relative.

### **1. Insurance Policy Date**

Policy Number \_\_\_\_\_

Date Purchased \_\_\_\_\_

Premium \_\_\_\_\_

### **2. Insurance Company Information**

Name of Company \_\_\_\_\_

Address \_\_\_\_\_

Phone Number \_\_\_\_\_

### **3. Information about Insurance Producer (also known as broker or agent)**

Producer's  
Name \_\_\_\_\_

Phone Number \_\_\_\_\_

Address \_\_\_\_\_

### **4. Type of Insurance Policy**

\_\_\_\_\_ Homeowners \_\_\_\_\_ Other \_\_\_\_\_

\_\_\_\_\_ Condominium

\_\_\_\_\_ Renters

### **5. How much is the deductible before loss payments begin? \_\_\_\_\_**

### **6. How do I file a claim? (Check all that apply)**

Contact my licensed producer

Contact the company

### **7. How often do I pay premiums? \_\_\_\_\_ Annually \_\_\_\_\_ Semi-annually \_\_\_\_\_ Other**

### **8. Are my premiums deducted from my bank account? \_\_\_\_\_ Yes \_\_\_\_\_ No**

Name and address of my bank: \_\_\_\_\_

Bank account number: \_\_\_\_\_

### **9. Where do I keep this policy? \_\_\_\_\_**

Other information \_\_\_\_\_

### **10. Friend or relative who knows where my policy is: \_\_\_\_\_**

Address \_\_\_\_\_

Phone number \_\_\_\_\_



**We Can Help!**



The Division of Insurance exists to serve you. The Division can be a source of unbiased information and assistance to you, such as verifying if a producer or insurance company is licensed to do business in the Commonwealth or providing answers to many frequently asked insurance questions.

If you have a complaint against an insurer, it is always best to contact your insurance company first and try to settle the matter. Most insurance companies have policyholder service offices to handle your questions. However, if you are still not satisfied, contact the Division's Consumer Service Section staff to help with your problem. Although they cannot represent you legally against an insurance company or adjuster, they can make an appropriate investigation into potential violation of insurance laws or regulations based on your complaint.

The Consumer Service Section can be contacted at 617-521-7777, Monday - Friday 8:45 am - 5:00 am or visit the Section on the Division's web site at [www.state.ma.us/doi](http://www.state.ma.us/doi). You may also contact or send in a consumer complaint by writing to the Consumer Service Section at the Commonwealth of Massachusetts Division of Insurance, One South Station, Boston, MA 02110. For your convenience, a consumer complaint form may be printed from the Division's web site.

**This consumer's guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person or organization mentioned in this guide.**



Non Smoker



Alarm System



Sprinkler

\*\*\*PLEASE NOTE THAT MASSACHUSETTS LAWS HAVE CHANGED AND\*\*\* BEGINNING APRIL 1, 2006, ALL MASSACHUSETTS HOMES ARE REQUIRED TO HAVE\*\* \*\*\*\*CARBON MONOXIDE DETECTORS.\*\*\*\*

Home insurance is an important purchase for many people. Use this brochure as a guide for how to better understand homeowners insurance, to make decisions that can help lower the cost of your home insurance and increase the value you receive. Although home insurance is not required by Massachusetts law, if your home is mortgaged, your lender or bank may require that you buy insurance on your home.

**The coverages offered to homeowners are usually included in a package of liability and property coverages. This guide addresses a comprehensive package of coverage found in a typical home insurance policy. It does not cover the limited offerings of fire and extended coverages or dwelling policies sometimes used to insure homes.**